

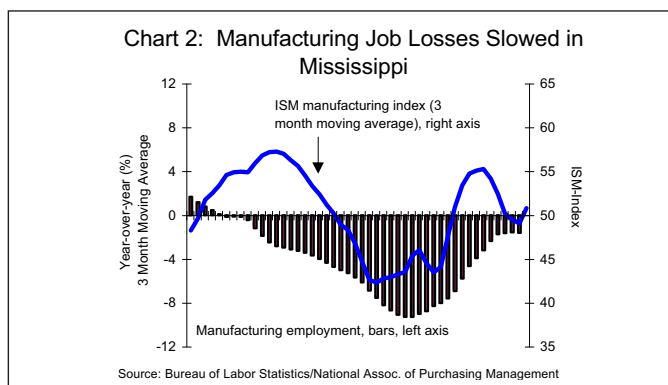
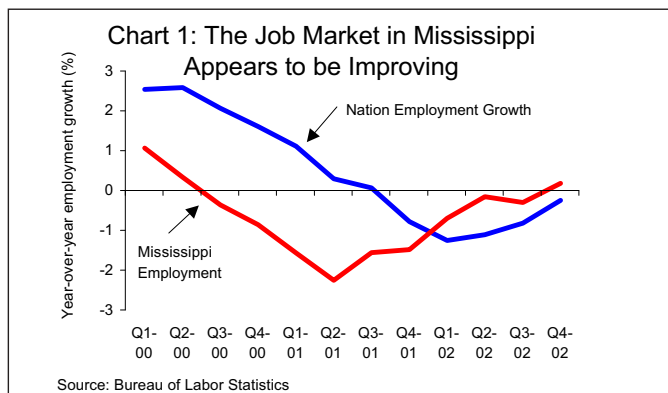
FDIC State Profile

SPRING 2003

Mississippi

Mississippi Slowly Moves in the Direction of Economic Recovery

- Mississippi shows sign of recovering from the manufacturing-led downturn. Employment increased by 0.2 percent in fourth quarter 2002, compared with a decline of 1.5 percent a year ago, and marking the first increase in employment since third quarter 2000 (see **Chart 1**).
- The manufacturing sector has been losing jobs since early 1995, but the pace of job losses has eased (see **Chart 2**).¹ Prospects for on-going improvement are generally good, according to recent surveys of manufacturing conditions.²
- Mississippi's manufacturing sector could get a major boost from the scheduled mid-2003 opening of a \$1.4 billion Nissan auto plant near Jackson. The plant is expected to hire between 4,000 and 5,300 workers. Additional jobs may accrue from major parts suppliers, several of whom have announced plans to locate near the plant.
- Increased spending on national defense could boost employment in southern Mississippi, which is home to Northrop Grumman's Ship System division, Keesler Air Force Base, and the Stennis Space Center.³
- The weaknesses in manufacturing have contributed to stress in other sectors, most notably retail, transportation and public utilities. In addition, the hotel and lodging sector has weakened considerably after 9/11. Despite the weak economic environment, employment in business services and government sectors grew moderately in 2002.
- The birth of the casino gaming industry in 1992 stimulated the state's economy during the early and mid-1990s. The industry had almost 31,000 employees by the end of 2002, a 2.7 percent share of total state employment. However, the industry has reached a point of maturity with no new entrants in the past 2 years and gaming revenues virtually unchanged during 2002.



- Like many neighboring states, Mississippi is facing a budget shortfall for the 2003/2004 fiscal year. Media reports indicate cuts in programs and employment may be implemented to resolve the deficit, thus turning an area of recent strength into one of possible weakness.⁴
- A slowing economy contributed to a record number of personal bankruptcy filings during 2002. However, the growth rate for filings declined to 1.2 percent, down from 19.5 percent in 2001.

¹ Employment in the manufacturing sector totaled 206,500 at the end of fourth quarter 2002 and represented 18.3 percent of total employment. According to the Mississippi Development Authority, Mississippi has at least one manufacturing plant in every county in the state.

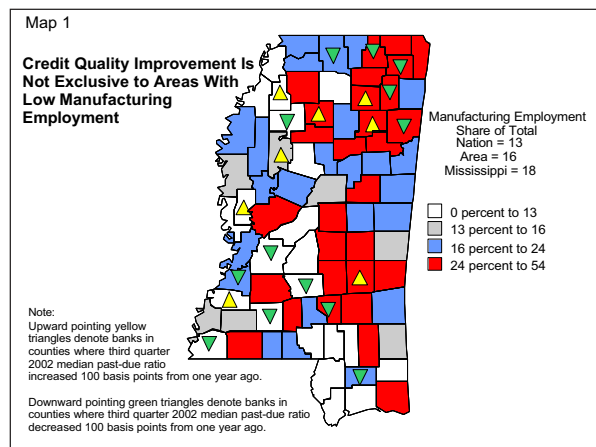
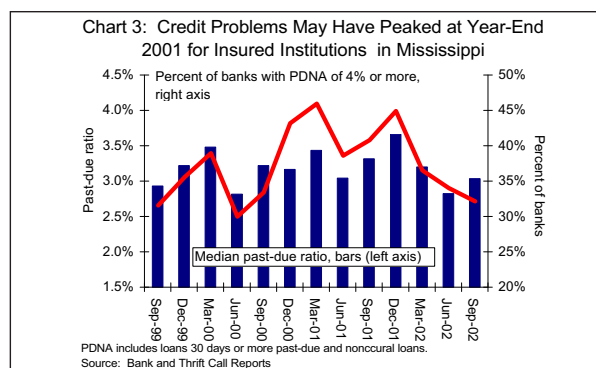
² The Institute for Supply Management conducts monthly surveys of conditions and expectations for the manufacturing industry. For the three months ending in January 2003 the survey index was above 50. An index of 50 or higher indicates that the manufacturing sector is expected to expand.

³ According to Economy.com, Keesler Air Force Base and Northrop Grumman are the largest employers in the metro Biloxi/Gulfport area with combined employment exceeding 24,000. The Stennis Space Center employs an additional 4,500.

⁴ State and local government employment in Mississippi represented 14 percent of total employment in 2002.

Credit Quality Appears to be Improving

- Median reported past-due loan ratios appear to have reached a cyclical peak at 3.66 percent in fourth quarter 2001 among insured institutions headquartered in Mississippi. Past-due loan levels showed improvement by third quarter 2002, when the ratio declined to 3.03 percent; slightly up from one quarter ago but well below year-earlier levels (see **Chart 3**).
- Among insured institutions in areas dependent on the manufacturing sector, median past-due levels reached an apparent cyclical peak at 3.78 percent of total loans at year-end 2001. Significant improvement in the ratio occurred by third quarter 2002. However, the past-due ratio remained above levels reported by insured institutions in non-manufacturing areas⁵(see **Map 1**).



Favorable Interest Rates and Lower Provisions Boost Returns

- Median net interest margins (NIM) for insured institutions headquartered in Mississippi reached 4.45 percent in third quarter 2002, the highest level since the state's economy declined in August 2000 (see **Chart 4**). The improvement is primarily attributed to the wide spread between short and long-term interest rates. The margin improvement occurred across various institutions types and sizes, as well as varied geographic locations.
- Median return on asset (ROA) levels for insured institutions headquarter in Mississippi rose to 1.17 percent in third quarter 2002, up slightly from levels achieved one quarter and one year ago (see **Table 1**). Lower provisions for loan losses combined with improved NIMs to boost ROAs. The decline in interest rate spreads, which occurred late in 2002, could pressure NIMs.

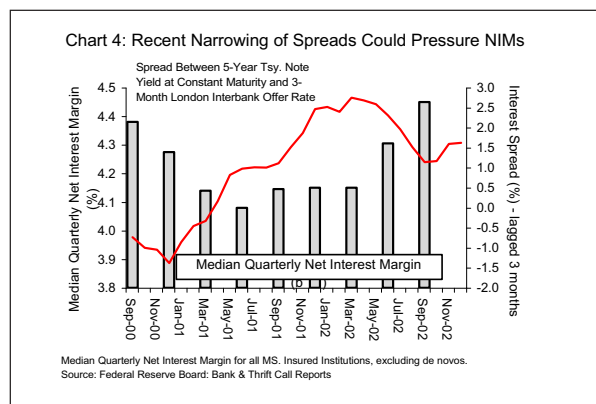


Table 1: Earnings Among Established Banks in Mississippi Increased in Third Quarter 2002

Median Return on Assets (%)	3Q02	2Q02	3Q01
Mississippi	1.20	1.17	1.09
MidSouth	1.15	1.14	1.02
Nation	1.13	1.11	1.04

Source: Bank and Thrift Call Reports

⁵ Among insured institutions in areas dependent on the manufacturing sector, median past-due loans were 3.14 percent of total loans in third quarter 2002, down from 3.41 percent one year ago. In other areas,

median past-due loans were 2.75 percent of total loans, up from 2.63 percent one year ago.

Mississippi at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	106	108	105	108	112
Total Assets (in thousands)	38,105,694	36,266,509	34,905,157	29,906,628	26,978,798
New Institutions (# < 3 years)	7	10	9	7	5
New Institutions (# < 9 years)	16	16	12	10	9
Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	10.13	9.92	10.18	10.15	10.23
Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	3.03%	3.32%	3.22%	2.93%	3.37%
Past-Due and Nonaccrual > = 5%	22	27	25	15	22
ALLL/Total Loans (median %)	1.42%	1.37%	1.36%	1.34%	1.41%
ALLL/Noncurrent Loans (median multiple)	1.78	1.97	1.82	1.99	2.08
Net Loan Losses/Loans (aggregate)	0.37%	0.38%	0.38%	0.26%	0.24%
Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)	3	10	5	7	4
Percent Unprofitable	2.83%	9.26%	4.76%	6.48%	3.57%
Return on Assets (median %)	1.17	1.08	1.14	1.21	1.31
25th Percentile	0.89	0.69	0.84	0.97	0.96
Net Interest Margin (median %)	4.30%	4.05%	4.37%	4.38%	4.44%
Yield on Earning Assets (median)	6.81%	8.06%	8.27%	7.94%	8.21%
Cost of Funding Earning Assets (median)	2.51%	4.07%	4.03%	3.60%	3.83%
Provisions to Avg. Assets (median)	0.18%	0.19%	0.17%	0.16%	0.14%
Noninterest Income to Avg. Assets (median)	0.87%	0.88%	0.85%	0.80%	0.76%
Overhead to Avg. Assets (median)	3.07%	3.02%	2.90%	3.00%	2.92%
Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	73.64%	73.72%	75.10%	73.73%	70.19%
Loans to Assets (median %)	60.90%	62.15%	63.79%	61.34%	60.07%
Brokered Deposits (# of Institutions)	11	11	13	8	7
Bro. Deps./Assets (median for above inst.)	2.02%	3.75%	4.19%	5.01%	3.08%
Noncore Funding to Assets (median)	21.47%	21.70%	20.45%	18.92%	18.10%
Core Funding to Assets (median)	67.23%	66.56%	68.45%	69.71%	70.49%
Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	77	79	77	78	77
National	20	20	19	20	21
State Member	1	1	1	1	2
S&L	4	4	4	4	6
Savings Bank	3	3	3	4	5
Mutually Insured	1	1	1	1	1
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	91	26,984,888	85.85%	70.82%	
Jackson MS	7	7,152,667	6.60%	18.77%	
Biloxi-Gulfport-Pascagoula MS	5	3,699,385	4.72%	9.71%	
Hattiesburg MS	2	141,151	1.89%	0.37%	
Memphis TN-AR-MS	1	127,603	0.94%	0.33%	